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C O N F I D E N T I A L TEL AVIV 001456

SIPDIS

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TAGS: PGOV PREL ECON IS GOI INTERNAL ECONOMY AND FINANCE

SUBJECT: MOST KNESSET MEMBERS, PUNDITS PREDICT BUDGET WILL PASS, BUT NO ONE KNOWS HOW

REF: TEL AVIV 1362

Classified By: Ambassador Daniel C. Kurtzer for reasons 1.4 (b,d).

1. (C) Summary: Prime Minister Sharon postponed the final votes on the 2005 budget, originally scheduled for March 17, counting on the fact that parties and MKs that could provide the crucial votes will not show their cards until they are pressed against the March 31 deadline -- and facing the prospect of public castigation for any collapse of the government. Sharon concluded that a budget vote two weeks before the deadline might fail, and thus only serve to make him look weak, even if he managed to win in a re-vote. Most Embassy contacts, including Shinui and opposition leader Tommy Lapid, and other MKs from a range of parties, have expressed certainty that the budget will pass, but few are prepared to predict which party(ies) or MKs will, in the end, provide the deciding combination of votes and abstentions. Most wavering parties want to make sure that their votes are indeed necessary for Sharon's -- and disengagement's -- survival, since, if Sharon were assured a surplus of budget votes, they would otherwise oppose the budget on political grounds. End summary.

2. (C) Sharon can now count on 52 MKs, including unaffiliated MK Michael Nudelman, to support his budget. In recent negotiations, the Finance Ministry agreed to certain United Arab List budget demands, which will likely yield Sharon that party's two votes or abstentions, perhaps giving Sharon a total of 54 votes. Yahad MKs have told poloff that five out of its six members would either abstain in the vote or support the budget, depending on what is necessary for the government's survival, possibly providing Sharon 59 votes. Sharon, at that point, would thus appear to need a combination of only a few votes in favor or a few abstentions to ensure budget passage. (Note: In a tie vote, the budget would fail. End note.)

3. (C) Sharon, Finance Minister Netanyahu, and Finance Ministry officials have all met with wavering parties and MKs, trying to win their support. Sharon met March 10 with unaffiliated MKs Joseph Paritzky, Michael Nudelman, and David Tal in attempts to secure their support, but Tal demanded (unsuccessfully) budget concessions, and Paritzky agreed only to abstain. Netanyahu has been meeting with several of the 13 Likud MK "rebels" who threaten to oppose the budget unless Sharon holds a disengagement referendum, but none of the 13 has indicated that (s)he will fold. Sharon used a speaking opportunity to mark International Women's Day to urge the wives of Likud members to use their influence to convince the Likud rebels to support the budget.

4. (C) Shinui and Shas continue to oppose the budget, but pundits continue to talk about the possibility that either A) Shinui will provide 11th hour support, or B) Sharon and Netanyahu will get Shas to drop its opposition to the budget by agreeing to Shas's demand to restore child allowances. Shinui leader Lapid told the Ambassador March 9 that he still believes the best option for Sharon is to take Shinui back into the coalition, and thus acquire Shinui's 14 votes for the budget. Lapid dismissed the argument that such an action would prompt even more Likud MKs to rebel against Sharon, stressing that a Likud-Labor-Shinui coalition would not be -- as some in Likud charge -- a secular, leftist coalition. While Lapid indicated that he is still deliberating on how Shinui will vote in the end, he highlighted the difficulty Shinui would have in either casting abstentions or voting for the budget, given the fact that Shinui chose to leave the coalition over the budget. Lapid cited recent polls showing that Shinui voters support Lapid's opposition to the budget. Responding to the Ambassador's query, Lapid acknowledged that differences of opinion exist within the Shinui faction, but said he will impose party discipline in the vote. Shinui's holdout on the budget notwithstanding, Lapid predicted that the budget would pass with the help of Yahad and the Arab parties.

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